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SUBJECT: NINGXIA BENEFITING FROM CENTRAL GOVERNMENT ASSISTANCE BUT
HUGE CHALLENGES REMAIN

SUMMARY

¶1. (SBU) Ningxia Hui Autonomous Region, one of China's poorest provinces, has benefited from Central Government funding under both the Great Western Development Program and New Socialist Countryside policy. As a result, Ningxia has improved its infrastructure and expanded its energy sector as well as increased support for social services such as education and health care. Despite capital inflows from the Central Government, however, participants at an economic development forum in Yinchuan and others working in the province agreed that long-term development in Ningxia will be difficult to sustain due to the lack of private sector investment, reduction in foreign aid, and the need to balance growth with environmental concerns. END SUMMARY.

TRAVEL TO NINGXIA

¶2. (SBU) Econoff and Conoff traveled to Ningxia Hui Autonomous Region August 15-18. Emboffs participated in the Second Ningxia International Halal Food and Muslim Commodities Festival and the Investment and Trade Fair in Yinchuan, the provincial capital, and attended the Economic Development Forum on August 16.

CENTRAL GOVERNMENT RESOLVING SOME PROBLEMS...

¶3. (SBU) The goals of the Great Western Development Program, launched by the Central Government in 1999 to develop the economy in China's poorest geographic region, and the New Socialist Countryside policy, introduced in 2006 to build infrastructure and improve social services in rural areas, converge in Ningxia Hui Autonomous Region, one of China's poorest provinces. Central Government fixed asset investment has improved the province's infrastructure, particularly the transportation network and the energy sector. Officials at the Ningxia Foreign Affairs Office (FAO) pointed out that there now is 500 km of highways in a province where there were no highways ten years ago. They also stated that the Central Government is helping Ningxia build up its energy sector, having jointly developed the Ningdong Energy and Chemical Industrial Base in the eastern part of the province to tap into coal reserves there.

¶4. (SBU) One FAO representative stated that Ningxia will mine 80 million tons of coal this year and hopes to raise output to 100 million tons in 2008. Five new electrical plants are planned, with some of the electricity to be transmitted to Tianjin to power an industrial area there. Other signs of increasing affluence include Ningxia's first golf course and a new international airport, which will begin flights to Hong Kong next year.

¶5. (SBU) With respect to social services, Perrine Lhuillier, China Program Coordinator for Enfants du Ningxia, said that Ningxia's

education sector has made tremendous progress since the introduction of the New Socialist Countryside policy. School fees are now paid by the Central Government and the local government has promised to cancel boarding fees by 2009. Ramsey Rayyis, Country Representative for the American Red Cross, agreed that Ningxia has made great strides recently in rural education, and he said that NGOs such as the Red Cross have filled many of the service gaps left by a lack of government funding in areas such as health and sanitation.

...BUT LIMITED CAPITAL CAN ONLY GO SO FAR IN NINGXIA

¶6. (SBU) At the same time, first-time visitors to Ningxia -- one of China's poorest provinces and one of its smallest with a population of only six million -- immediately see a difference between Yinchuan and other provincial capitals and Ningxia's countryside versus other rural areas. Yinchuan's urban landscape is not dotted with high-rises and office parks as cities such as Changsha, Nanchang, or Zhengzhou might be. Students who manage to go to university usually leave the province and do not return. Ningxia is one of only five provinces without any of China's 119 key universities that receive special Central Government funding and attention. (Note: Two college students on summer break interviewed by Emboff in Yinchuan said they hope to find jobs after graduation in Xian where they are studying. End Note.)

¶7. (SBU) In the countryside, some farmers are starting to build brick houses, but many still live in mud-walled homes and walk several miles a day to retrieve water. Despite the Central Government's focus on rural policy, most farmers in Ningxia still earn only RMB 2000 to RMB 3000 (USD 250 to USD 375) per year.

¶8. (SBU) Lu Dadao of the China Academy of Sciences told participants at the Ningxia Economic Development Forum on August 16 that

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Ningxia's future development faces a number of challenges, especially with respect to sustainability, due to the lack of private sector investment, reduction in foreign aid, and the need to balance growth with environmental concerns. Lu said that he is particularly concerned about the environmental impact of rapid industrial development in an ecologically fragile area.

NEED A STRONG DEVELOPMENT STRATEGY FOR FUTURE GROWTH

¶9. (SBU) Zhao Kang, a researcher at the Ministry of Finance, said at the Forum that Central Government funding for Ningxia is limited and the province will therefore need to make tough decisions on what to spend money on. With so many needs -- infrastructure, public services, industrial development, and natural resources -- those decisions will not be easy. Rayyis added that the Red Cross and other NGOs are facing increasing difficulty raising money for projects in Ningxia as China develops and donor interest wanes. In the health sector, therefore, it is imperative that short-term gains earned from outside funding must be sustainable over the long-term, Rayyis said.

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